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Senator  
**LARRY SHEAHAN**

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**DON COX**

## 9th District • 2002 Session Review

Serving Asotin, Whitman, Adams and south Spokane counties

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May 2002

Dear Friends,

The 2002 Legislature adjourned March 14, but the 60-day session left us disappointed and frustrated because of the majority party's decision to follow a path of undisciplined budgeting that imperils the state's financial footing and sets the stage for big cuts in essential services, a major tax hike, or both.

The budget that passed the Legislature spends \$1.4 billion more than expected revenue, relies on one-time money for ongoing expenses, and will be \$1 billion short at the beginning of the next biennium.

**In addition to the fact that fiscal conservatives were denied a seat at the table during the budget-writing process, it is troubling that budget writers made the same mistakes that crippled the budget last June. No matter how you look at it, it's a bad deal for taxpayers, and portends even more serious problems down the road.**

A multi-billion tax package to address Washington's transportation problems passed on the final day of the session. The proposal includes a gas tax increase of 9 cents a gallon, a 1 percent surcharge on vehicle sales, and a 30 percent increase in trucking fees. Voters will be asked to decide the fate of the \$7.8 billion proposal when it goes to the ballot in November.

This session review is our annual report to you about how we dealt with some of this year's major issues. If you have questions or ideas to share about the contents of this report or other state government matters, please let us know. We are always glad to hear from you.

Sincerely,

MARK SCHOESLER  
State Representative

LARRY SHEAHAN  
State Senator

DON COX  
State Representative

## **Mounting debt in flawed budget**

Those responsible for Washington's budget abandoned discipline in favor of shortsighted deficit spending. The supplemental budget that passed in the early hours of March 14 is a textbook example of credit-card spending that will make the state's financial problems even worse. In your household or business budget, when income declines you have only one choice: you reduce your expenses to match your income. This year the majority party chose another option.

**For the second straight year, the Legislature adopted an unsustainable operating budget that sets Washington taxpayers up for cuts in essential public services, a big tax hike, or both. The budget depends on a scheme to tap into the state's \$4.5 billion tobacco settlement to help fill a \$1.6 billion dollar shortfall – a proposal that is shortsighted, irresponsible, and will push the state's mounting deficit into the future. By their own admission, Democrats acknowledge that their budget will leave the state with a \$1 billion shortfall when lawmakers return next year.**

Many of us believe a special session might be necessary later this year to deal with the state's budget woes.

## **Tapping tobacco money a shortsighted gamble**

The budget requires converting about 25 percent of the \$4.5 billion settlement into a one-time lump sum of \$525 million. The process is known as "securitization," which entails borrowing against tobacco settlement payments for an immediate infusion of money.

If we raid the tobacco payments, not only could the state lose about 75 cents on the dollar, but we'll still be \$1 billion short going into the next budget-writing period. It makes no sense to convert a dependable, long-term source of income into a one-time fast-cash remedy that might temporarily relieve the pain, but offers no cure.

As its share of the \$206 billion agreement with the tobacco industry, the state receives settlement payments every year in perpetuity. The state has collected \$300 million so far, and expects to receive another \$300 to \$310 million this biennium. The money has been earmarked for the Basic Health Plan, improving local health programs, and reducing tobacco consumption.

Rather than step forward and address the budget problems that created this deficit, Democrats opted for Enron-style accounting tactics that could make the state's financial problems even worse in future years. It's like cashing in your 401K plan on the first day of your retirement to make a down payment on a car.

**Although Gov. Gary Locke supported the plan to sell out the tobacco money, Attorney General Christine Gregoire and state Treasurer Mike Murphy weighed in against the scheme, which Murphy compared to "mortgaging yourself to buy groceries." Gregoire said that based on the experiences of other states that have sold off their settlements, she believes Washington also would lose money on the transaction.**

After selling off future health care dollars, the budget even reduced funding for health care for low-income families. Legislative Republicans proposed several times to use the tobacco revenue stream to pay for needed services, such as controlling prescription drug costs for low-income seniors and funding for critical public safety and emergency services like police officers and sheriffs' deputies. But out of desperation to plug the hole in the current budget, the majority party repeatedly rejected our proposals.

### **Tobacco 'securitization'**

Here's what others are saying about the plan to raid a portion of the state's settlement with tobacco companies – money once earmarked to pay for health care services and anti-smoking efforts – for a one-time cash payment to fund state spending increases:

**"too big a gamble for the state"**

– *News Tribune* editorial (3/6/02)

**"not sustainable"**

– *Spokesman-Review* editorial (3/6/02)

**"a disservice to our state's taxpayers"**

– *Bremerton Sun* editorial (3/8/02)

**"no real solution"** – *Seattle Times* editorial (3/6/02)

**"suspect budgeting"**

– *Yakima Herald-Republic* editorial (3/10/02)

**"we'll pay a high price for this gimmick"**

– *South County Journal* editorial (3/14/02)

**"a bad deal for Washington taxpayers"**

– *Attorney General Christine Gregoire*

**"terrible fiscal policy"** – *state Treasurer Mike Murphy*

# 2002 Session Review

## Capital budget adds to state's debt

In the face of a \$1.6 billion deficit, the Legislature passed a supplemental capital construction budget which includes about \$112 million in new statewide projects masquerading as a “stimulus package” to help the struggling economy.

**Do we need to jump-start the economy? Yes, and some of the projects have great potential to create needed jobs and pump money into the economy. But there are serious concerns about the wisdom of straining the state's bonding capacity during an economic slump, and adding about \$50 million to the state's debt.**

Included in the package are projects ranging from a dredging project in the Columbia River to funding for renovations and new construction at universities, community colleges and technical schools. The budget earmarks \$5 million each for Eastern Washington University and WSU, and \$4.8 million to help replace Fairchild's Blair Elementary School.

These are beneficial and worthwhile projects in the capital spending plan, but they could be jeopardized if the state's financial crisis worsens and we're forced back into session to rebalance the budget.

## Governor signs Schoesler water bill

Sponsored by Rep. Schoesler, **HB 2874** sets aside a long conflict over ownership of the massive reservoir of underground water in the Pasco Basin.

The vast underground lake evolved over the past 50 years, created by accumulating irrigation water and canal seepage from the Columbia Basin Project. Hydrologists estimate that the disputed aquifer holds about 5 million acre feet of water, and has been growing by about 140,000 acre-feet a year. But the ownership question — whether the water belongs to the state or comes under the aegis of the (Columbia Basin) project — has kept the groundwater storage off-limits.

Schoesler's bill requires that permit applicants obtain approval from both Ecology and the Bureau of Reclamation, an arrangement that neutralizes the standoff between the state and the bureau and heads off a possible court battle. The extensive resource of water will benefit agriculture and development needs for decades to come throughout the Pasco Basin.



*Now serving his fifth term representing the 9th District, Rep. Schoesler took on new responsibilities this year as ranking Republican on the House Agriculture and Ecology Committee.*

## Engineering services bill signed into law

Gov. Locke took final action March 12 on legislation authorizing money-strapped Washington counties to share the costs of road engineering services. Rep. Schoesler was on hand as the governor signed the measure — legislation the 9th District legislator said will help counties operate more efficiently without sacrificing essential engineering services.

**House Bill 2370** eliminates the requirement that counties with populations of 8,000 or more employ a full-time road engineer. Under the new law, counties — regardless of their size — have the option of either hiring an engineer or contracting with another county to share the costs of ongoing engineering services.

The new law provides a tool to give all counties the option of employing their own engineer on a full- or part-time basis, or to share the costs for engineering services with another county. It's not a mandate, but an alternative to help them stretch tight resources during difficult financial times.

## Education hit hard by budget, says Cox

The state programs that felt the impact of our budget crisis include K-12 and higher education. While reports stating school districts will experience cuts of 4 to 5 percent is a bit of an overstatement, the actual reduction of approximately 2 percent does represent a significant step backwards. The base used by many districts for calculating the percentages included only the state programs being reduced, not the full state spending on education, nor the total spending by the districts.

**Higher education didn't fare any better than K-12. The supplemental budget continues to erode the state's commitment to higher ed, and to our children. One of our greatest disappointments this session was the tuition increase authority granted to universities as a method to offset some of the reductions in higher education. Research universities were given the authority to increase tuition by 16 percent, with lower increases for regional universities and community and technical colleges. This will hit middle-income families hardest. As the ranking Republican on the House Higher Education Committee, Rep. Cox worked hard to ensure access to quality higher education for all students, particularly middle-income families who may not qualify for needs grant scholarships.**

While we increased college and university staffing levels by roughly 12 percent over the last decade, it simply hasn't kept pace with the increased number of students. (Students attending institutions of higher education increased 13 percent, and the number of high school graduates has increased by 26 percent.) The reality is a high school graduate's chance of accessing public higher education has declined, while the cost has increased.

On a positive note, we did approve several policy changes important to educators and classified staff.

**House Bill 2365**, which provides classified employees with representation on the influential State Investment Board, passed with little opposition. **House Bill 2536**, which has been signed into law, gives school employees access to the state employee insurance plan. It provides affordable health care options – a great benefit to employees and an important tool for districts to recruit and retain quality educational staff.

Another important measure we adopted this session is **HB 1444**, the anti-bullying bill. It will help create safer schools for our students and provide important training

for school employees by requiring the districts to adopt a policy prohibiting harassment or bullying. The Office of the Superintendent of Public Instruction will provide model policies and training materials. Ultimately, however, school districts still retain local control over the policies they adopt. This bill is an excellent start in providing students a safer environment in which to learn, and giving school employees the tools they need to create and enforce anti-harassment policies.

## Simple-majority levy fails

A proposal that would have allowed a simple majority of voters to approve school levies failed to win approval in the House. The vote was 65-31, one vote short of the two-thirds majority required to change the state Constitution. The Senate did not vote on the plan.

It was a difficult decision, but the property tax is an oppressive tax on seniors and low-income families. It must be paid regardless of one's health or employment circumstances. Many people in the 9th District share our concern. Respondents to the pre-session questionnaire indicated by a nearly two-to-one margin that they opposed replacing the 60 percent requirement.



*Rep. Cox reviews amendments with  
Rep. Joyce Mulliken, R-Ephrata.*



# 2002 Session Review



*Sen. Sheahan gets first-hand input on agricultural issues from a 9th District farmer.*

## Legislature sends gas tax plan to ballot

The nearly \$8 billion statewide transportation package — including a 9-cent increase in the 23-cent-a-gallon gas tax — will go to the voters on the Nov. 5 election ballot.

Elements of the package approved by the Legislature include:

- **A 9-cent-a-gallon gas tax increase — 5 cents the first year and 4 cents the year after.**
- **A 1 percent increase in the sales tax on new and used vehicles.**
- **A 30 percent increase (15 percent per year over two years) on truck weight fees.**

A proposed 3-cent-per-gallon tax surcharge for diesel fuel (in addition to the 9-cent increase) was removed from the compromise bill.

The decision on whether to pass the package in Olympia or send it to the ballot was difficult for everyone, culminating in a tense showdown between the House and Senate. Based on responses to the legislative questionnaire we mailed to constituents in January, the people in our district feel strongly that they want a referendum. By a nearly three-to-one margin, respondents said they were opposed to a 9-cent gas tax increase and they wanted a public vote on transportation tax increases.

— **Regional tax package.** The regional transportation package allows King, Pierce and Snohomish counties to join forces to finance mega-projects, using local voter-approved taxes. The governor signed the plan into law March 21, but vetoed a section that would have made Puget Sound-area highway improvements contingent on passage of the separate statewide gas-tax proposal in November.

## Hospitals receive tax relief

A few years ago the Department of Revenue reinterpreted a tax code, and without legislative approval implemented a new tax on hospitals. The \$12 million tax increase hit many of our hospitals — including a \$1 million tax increase for a Spokane hospital. Last year, the Legislature was able to remove part of the tax. Working with Senate and House members this session, Sen. Sheahan was able to help stop this punitive tax. In addition, area hospitals will be refunded the tax money collected by the Department of Revenue.

## Nursing homes, counties get needed help

In December, Gov. Locke proposed some drastic cuts to nursing homes, on top of the large budget cuts they received last year. Locke proposed cutting \$69 million in funding, with \$34 million coming out of the state operating budget. If this proposal had passed, many nursing homes in Eastern Washington would have shut down, leaving some elderly citizens with no place to go. Sen. Sheahan worked with Democrat budget writers to keep this needed funding. Many of our most vulnerable citizens live in these nursing homes, and they deserve all the help we can provide.

Many of our local counties and cities depended on the I-695 backfill monies to maintain law enforcement and other essential services. One of our top priorities should be public safety, but Democrat budget writers had a different viewpoint and cut backfill dollars from the state budget. Working with Republican Senate colleagues, Sheahan successfully amended the budget to include an extra \$1 million for four counties that were hit hardest — Garfield, Columbia, Wahkiakum and Ferry. Even with the extra funding, some counties still cannot afford 24-hour police protection.

## **Sheahan secures funding for Whitman Port project**

Sen. Sheahan worked hard this session to obtain \$150,000 in funding for the Red Wolfe Bridge pipeline project at the Port of Whitman County Wilma Marine Terminal Facility.

The funds will be used to build a pipeline under the Snake River to draw water from the Asotin PUD. The additional water is needed to expand the present port to another 55 acres during the next 10 years. The project will help create 170 new jobs in the area.

## **Columbia River dredging project**

Sen. Sheahan co-sponsored the Columbia River dredging project, which will help farmers move commodities and create more family-wage jobs. The Columbia River dredging project is important to the ag community because it will allow farmers to get their products to the buyers faster and easier.

The \$17.7 million allocated for the project is part of the larger construction budget passed by the Legislature. The money will be used in conjunction with funding from Oregon and the federal government.

## **Sheahan leads effort to build new Blair Elementary School**

As a member of the Senate Ways and Means Committee, Sen. Sheahan helped provide Blair Elementary School children with \$4.8 million to build a new school located at Fairchild Air Force Base.

Sheahan worked with Congressman George Nethercutt to provide a national grant, which came through this year at \$6 million from the Department of Defense to also help rebuild the school. By lobbying Democrat budget writers, Sheahan was able to include the matching \$4.8 million grant in the capital construction budget.

Built in 1951, Blair Elementary is owned by the Medical Lake School District, but is located on military property. Blair mostly serves military children, making it difficult for the district to pass a bond levy. The school has become one of the most dilapidated school buildings in the entire state because of its unique situation.

Medical Lake School District receives impact aid to make up for the loss of property taxes, but the money only covers day-to-day operations and maintenance. Blair hasn't had a significant renovation since 1981.

The money will be used to build a new school on the Air Force base. The new school will include a cafeteria, gymnasium, stage, music room, modern fire alarm system and new state-of-the-art equipment.



***Blair Elementary receives state and federal funding thanks to Sen. Sheahan's help.***